SO2 Milestones and Backstop Trading Program

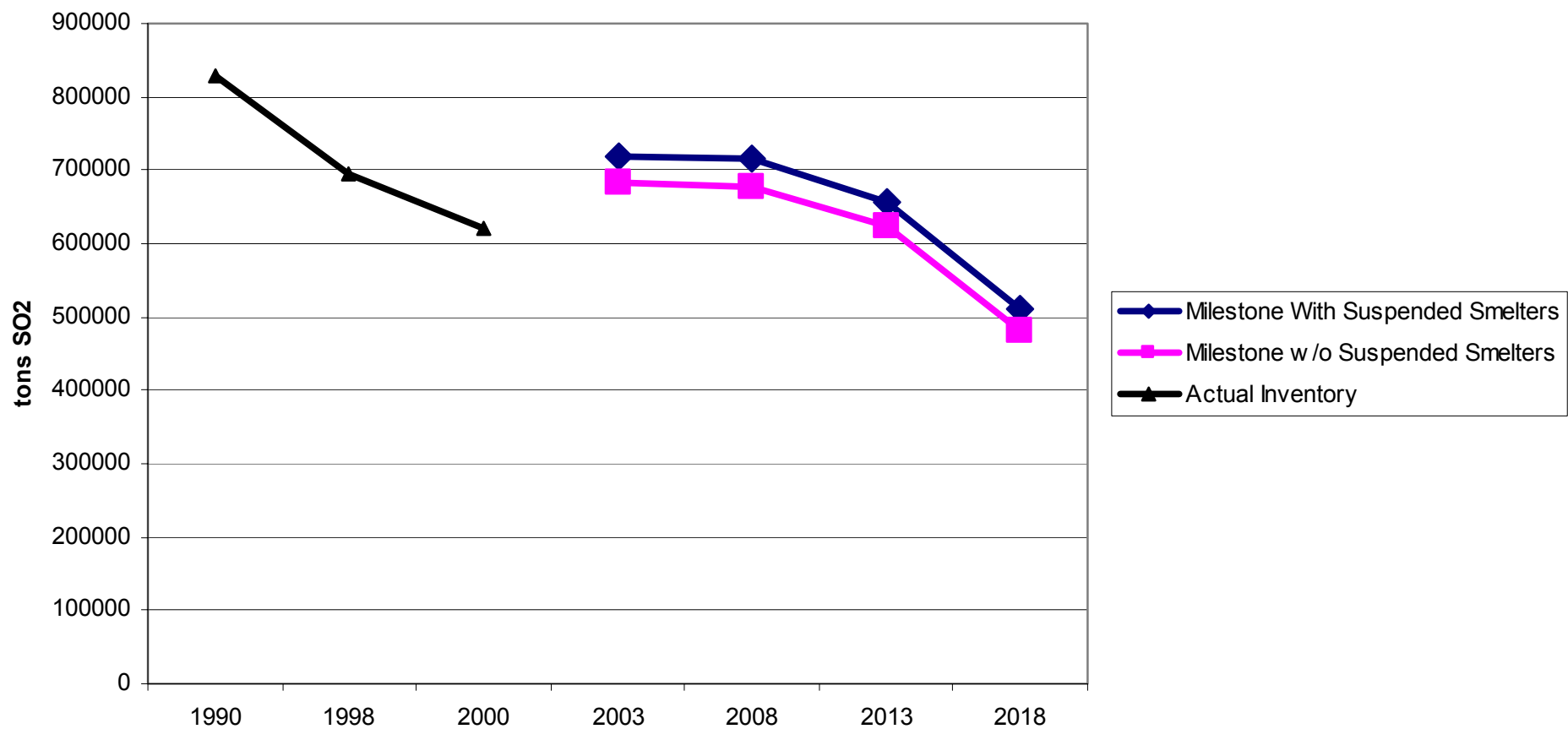Colleen Delaney

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Stationary Source Provisions

- Regional SO_2 Milestones
  - Establishes an emission cap
  - Voluntary compliance
  - Tracking Requirements
- Backstop Trading Program if milestones exceeded
  - Regulatory program
  - Provides compliance flexibility

SO2 Emissions and Milestones in 9-State GCVTC Region

Chart showing tons SO2 (y-axis, 0 to 900000) versus year (x-axis: 1990, 1998, 2000, 2003, 2008, 2013, 2018).

Legend:
- Milestone With Suspended Smelters
- Milestone w/o Suspended Smelters
- Actual Inventory

Overview of Documents

- SIP Section XX.B – Definitions
- SIP Section XX.D.2 – Overview
- SIP Section XX.E – SO2 Milestones and Backstop Trading Program
- R307-250 – WEB Trading Program Rule
- R307-153 – Emission Inventory Rule

Program Split Between SIP and Rule

- Rule contains requirements for regulated sources
- SIP describes how Utah will implement the program
  - Work with other states to track progress
  - Common program elements
  - Allocations

SIP Section XX.E.1

- SO_2 Milestone
- Procedures to modify the milestone
  - States opt in/opt out
  - Suspended smelters in AZ and NM
  - Changes in measurement techniques
- Tracking Procedures
  - Annual SO_2 inventory
  - 3 Year average

SIP Section XX.E.1

- Tracking System Administrator/WRAP
- 2013 Checkpoint
  - Possible voluntary trigger of the program
- Special Penalty Provision for the year 2018

SIP Section XX.E.2

- Pre-trigger tracking requirements for SO2
    - Use existing inventory process
    - A few additional sources will be required to submit an annual SO2 inventory for this program
    - R307-153 establishes the inventory requirements

SIP Section XX.E.3

- Trading Program Requirements
- Allocations
  - Tribal set-aside
  - New source set-aside
  - Early reduction credit
  - Renewable energy credit
  - Floor
  - Reducible portion

SIP Section XX.E.3

- Database for tracking allowances and emissions
  - Like a bank
  - Annual comparison of allowances to emissions
  - Penalties applied if emissions exceed allowances

SIP Section XX.E.4

- Lays groundwork for next SIP due in 2018
- Ensures that 2018 milestone goal is achieved

Trading Program Rule

- Becomes effective if the milestones are exceeded – contingency measure

- Trading Program details
  - Account Representative
  - Establishment of accounts
    - Compliance accounts
    - General accounts

Trading Program Rule

- Trading Program Details
  - Mechanism for demonstrating compliance
  - Compliance schedule
    - 5 years after program is triggered
  - Transfer of allowances

Work Still Underway

- Monitoring Protocols
- Allocations
  - Utility allocations
  - More certainty about allocations "at risk" due to early reduction credit and renewable energy credit
- NOx/PM report – set stage for 2008 SIP
- Tracking system specifications